

1 TROUTMAN PEPPER HAMILTON SANDERS LLP
2 Luke N. Eaton (SBN 280387)
3 E-mail: luke.eaton@troutman.com
4 Two California Plaza
5 350 South Grand Avenue, Suite 3400
6 Los Angeles, CA 90071-3427
7 Telephone: 213.928.9800
8 Facsimile: 213.928.9850

9 Harris B. Winsberg (admitted *pro hac vice*)
10 E-mail: harris.winsberg@troutman.com
11 Alexandra S. Peurach (admitted *pro hac vice*)
12 E-mail: Alexandra.Peurach@troutman.com
13 Nathan T. DeLoatch (admitted *pro hac vice*)
14 E-mail: nathan.delatch@troutman.com
15 600 Peachtree Street, NE, Suite 3000
16 Atlanta, GA 30308
17 Telephone: 404.885.3000
18 Facsimile: 404.885.3900

19 Attorneys for Creditor
20 BAY POINT CAPITAL PARTNERS II, LP

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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re

JONATHAN L. SMITH,

Debtor.

BAY POINT CAPITAL PARTNERS II,
LP,

Plaintiff,

v.

JONATHAN L. SMITH,

Debtor-Defendant.

Case No. 2:21-bk-12542-BR

Chapter 7

Adversary No. _____

**COMPLAINT TO DETERMINE NON-
DISCHARGEABILITY OF DEBT
PURSUANT TO 11 U.S.C. § 523(a)(2)(A)**

1 **INTRODUCTION**

2 1. Plaintiff and Creditor Bay Point Capital Partners II, LP (“**Bay Point**”), by and
3 through counsel, files this complaint (the “**Complaint**”) against Debtor-Defendant Jonathan L.
4 Smith (“**Debtor**”), seeking a judgment that the obligations owed by Debtor to Bay Point are
5 excepted from discharge and thus “non-dischargeable” pursuant to 11 U.S.C. § 523(a)(2)(A).
6

7 **THE PARTIES, JURISDICTION, AND VENUE**

8 2. This adversary proceeding arises out of Debtor’s Chapter 7 bankruptcy petition in
9 the United States Bankruptcy Court for the Central District of California, *In re Jonathan L. Smith*,
10 No. 2:21-bk-12542-BR.

11 3. This Court has jurisdiction over this adversary proceeding pursuant to 28 U.S.C. §§
12 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157. Venue in this district is
13 proper pursuant to 28 U.S.C. § 1409(a).

14 4. Bay Point consents to entry of final orders or a judgment by this Court.

15 5. Bay Point is a limited partnership organized and existing under the laws of the State
16 of Delaware, with its principal place of business in Atlanta, Georgia. Bay Point is also a creditor
17 with standing to request that the Court except from discharge the debt owed to Bay Point by the
18 Debtor under 11 U.S.C. § 523(c)(1) and Federal Rule of Bankruptcy Procedure 4007.

19 6. The Debtor is the Chapter 7 debtor in the above-captioned case and is a resident of
20 Los Angeles, California.

21 **FACTUAL ALLEGATIONS**

22 7. Pending in the United States District Court for the Northern District of Georgia is
23 an action filed by Bay Point against the Debtor, as well as bankrupt defendants Hoplite, Inc.
24 (“**Hoplite**”) and Hoplite Entertainment, Inc. (“**Hoplite Entertainment**”) (collectively, the
25 “**Hoplite Entities**”) controlled by the Debtor for, among other things, violations of the Racketeer
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1 Influenced and Corrupt Organizations Act (RICO), 18 U.S.C. § 1962, fraudulent misrepresentation,
2 and several breaches of contract. *See Bay Point Capital Partners II, LP v. Hoplite, Inc., et al.*, No.
3 1:21-cv-00375-MLB (N.D. Ga.) (the “**District Court Action**”). As a result of their respective
4 bankruptcy filings, the District Court Action is currently stayed against the Debtor and the Hoplite
5 Entities. The underlying misconduct forming the basis of that lawsuit constitutes the same basis
6 for the relief sought here.
7

8 ***Initial Loan Discussions and Negotiations***

9 8. In late August 2020, Bay Point was approached by a broker named Walter Josten
10 (“**Josten**”), who was aware that Bay Point was seeking investment opportunities in the media and
11 production industry.

12 9. On August 24, 2020, two Bay Point employees, Chandler Rierson (“**Rierson**”) and
13 Rob Moran (“**Moran**”), spoke with Josten by telephone. Josten was joined in the conversation by
14 Max Musina (“**Musina**”), Josten’s outside business partner. During that conversation, Josten and
15 Musina informed Bay Point that they were aware of two California-based media companies seeking
16 short-term financing. Specifically, Josten and Musina told Bay Point that the putative borrowers
17 were two related, closely-held entities—the Hoplite Entities—which were both under Debtor’s
18 direct control and management.

19 10. Josten further represented to Bay Point that the Hoplite Entities had significant
20 accounts receivable against which the Debtor was willing to borrow funds, and that the Debtor was
21 seeking funding to sustain his companies’ operations until such receivables were realized.

22 11. Specifically, Josten informed Bay Point that the Debtor was seeking immediate
23 funding in an amount between \$1 million and \$2 million, and that the Debtor was willing to borrow
24 against the Hoplite Entities’ then-existing short-term accounts receivable of \$3,438,000, which
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1 consisted of a \$1,488,000 receivable from “Screen media / Crackle / Sony,” a \$1,000,000 receivable
2 from “Fight Channel,” and a \$950,000 receivable from “Big Media / National Geographic.”

3 12. Bay Point requested documentation supporting the existence of, and amounts due
4 and owing under, the Hoplite Entities’ claimed accounts receivable. On August 27, 2020, the
5 Debtor, through Josten, provided Bay Point with what was represented to be documentary proof of
6 the Hoplite Entities’ then-existing short-term accounts receivable. Included among the documents
7 were: (1) a License Agreement between Hoplite Entertainment and Big Media Holdings LLC (“**Big**
8 **Media Holdings**”) evidencing a purported receivable of \$950,000; (2) a License Agreement
9 between Hoplite Entertainment and Screen Media Ventures, LLC (“**Screen Media Ventures**”)
10 evidencing a purported receivable of \$1,488,000; and (3) an Acquisition Agreement between
11 Hoplite and Ineomeida, Inc., d/b/a Fight Channel World Network (“**Fight Channel**”) evidencing a
12 purported receivable of \$1,000,000.

13 13. Between August 27, 2020 and September 30, 2020 (the date of the execution of the
14 Loan Documents), Rierson and the Debtor had numerous telephone conversations regarding the
15 Loan. During those conversations, the Debtor affirmed the validity of the third-party agreements
16 that Josten provided to Bay Point on the Debtor’s behalf on August 27, 2020 and reiterated that the
17 receivable for each agreement would be due and payable to the Hoplite Entities prior to the Loan’s
18 December 30, 2020 maturity date.

19 14. On September 28, 2020, as part of Bay Point’s pre-closing due diligence process,
20 Rierson sent an email to the Debtor asking the Debtor to “outline the expected payment period for
21 each agreement.” Later the same day, the Debtor responded, in writing, that Big Media Holdings
22 was “set to pay” its purported \$950,000 indebtedness to Hoplite Entertainment “on Oct 15th,” that
23 Fight Channel would pay its purported \$1,000,000 indebtedness to Hoplite “by the 15th of
24 November,” and that Screen Media Ventures was “set to pay” its purported \$1,488,000
25

1 indebtedness to Hoplite Entertainment “on the 30th of Oct.” A true and correct copy of the
2 September 28, 2020 email correspondence is attached hereto as **Exhibit A**.

3 ***Non-Disturbance, Standby, and Subordination Agreements***

4 15. As part of Bay Point’s due diligence process, Bay Point took steps to confirm the
5 Debtor’s existing, outstanding indebtedness, as well as the Hoplite Entities’ existing, outstanding
6 indebtedness. To that end, Bay Point conducted searches to locate and identify all publicly-
7 available liens and other encumbrances filed against the Debtor and/or the Hoplite Entities. During
8 this process, Bay Point identified numerous liens filed against each of the Debtor, Hoplite, and
9 Hoplite Entertainment by various creditors, as well as several UCC-1 “all-asset” liens asserted
10 against the Hoplite Entities.

11 16. For example, Bay Point learned that Hoplite and Hoplite Entertainment are indebted
12 to Columbia State Bank under the terms of a Business Loan Agreement dated April 21, 2020 (the
13 **“SBA Loan”**), Hoplite and Hoplite Entertainment are jointly indebted to Porta Pellex LLC under
14 the terms of Loan Agreements dated April 17, 2019 and March 22, 2020 (the **“Porta Pellex**
15 **Loans”**), and Hoplite Entertainment is indebted to XXIII Capital Limited under the terms of a
16 Facility Agreement dated December 9, 2016 (the **“XXIII Capital Loan”**).

17 17. Accordingly, as a condition precedent to making the Loan, Bay Point required the
18 Debtor to obtain certain documents from the Hoplite Entities’ then-existing creditors, including
19 debt subordination agreements, whereby the Hoplite Entities’ secured creditors agreed to
20 subordinate their respective contractual repayment rights and security interests to Bay Point’s Loan.
21 Bay Point also required the Debtor to obtain Columbia State Bank’s express written consent prior
22 to executing the Loan.

23 18. On September 28, 2020, the Debtor sent an email to Rierson. Attached to the email
24 were, among other things, what the Debtor purported to be the SBA Loan documents, as well as
25

1 signed standby creditor's agreements from five of the Hoplite Entities' creditors, including
2 Columbia State Bank, Porta Pellex LLC, and XXIII Capital. A true and correct copy of the
3 September 28, 2020 email correspondence is attached hereto as **Exhibit B**.

4 19. In the September 28, 2020 email, the Debtor provided Bay Point with what was
5 purported to be Columbia State Bank's written consent to the execution of the Loan. The Debtor
6 also provided Bay Point a Standby Creditor's Agreement (the "**SBA Loan Standby Agreement**")
7 in Bay Point's favor whereby Columbia State Bank agreed to subordinate its SBA Loan to Bay
8 Point's Loan. True and correct copies of the consent letter, SBA Loan Standby Agreement, and
9 the SBA Loan documents provided by the Debtor to Bay Point are attached hereto as **Exhibit C**.

10 20. Additionally, the Debtor attached to the September 28, 2020 email what he
11 represented to be two Standby Creditor's Agreements in Bay Point's favor whereby Porta Pellex
12 LLC and XXIII Capital agreed to subordinate the Porta Pellex Loans and the XXIII Capital Loan,
13 respectively, to Bay Point's Loan (the "**Porta Pellex Standby Agreement**" and the "**XXIII**
14 **Capital Standby Agreement**"). True and correct copies of the Porta Pellex Standby Agreement
15 and the XXIII Capital Standby Agreement provided by the Debtor to Bay Point are attached hereto
16 as **Exhibits D and E**, respectively.

17 21. During its due diligence, Bay Point also required the Debtor to obtain signed non-
18 disturbance agreements from Big Media Holdings, Fight Channel, and Screen Media Ventures,
19 which directed the third-party account debtors to send any and all forthcoming payments from the
20 Hoplite Entities' purported accounts receivable directly to Bay Point. Thus, on September 29, 2020,
21 the Debtor provided Bay Point with what he represented to be signed non-disturbance agreements
22 from Big Media Holdings, Fight Channel, and Screen Media Ventures. A true and correct copy of
23 the Debtor's September 29, 2020 email attaching the purported non-disturbance agreements is
24 attached hereto as **Exhibit F**.

Execution of Loan Documents

22. After receiving the required documents from the Debtor and completing its due diligence process, Bay Point entered into the Loan and Security Agreement dated September 30, 2020 (the “**Loan Agreement**”) with Hoplite and Hoplite Entertainment, jointly and severally. Pursuant to the Loan Agreement, Bay Point agreed to make a loan in the principal amount of \$2 million with interest accruing each month. The Loan Agreement bore a maturity date of December 30, 2020. A true and correct copy of the Loan Agreement is attached hereto as **Exhibit G**.

23. The Loan was evidenced by a promissory note, also in the amount of \$2 million, dated September 30, 2020 (the “**Note**”). A true and correct copy of the Note is attached hereto as **Exhibit H.**

24. The Debtor unconditionally guaranteed all payment and performance obligations owed by Hoplite and Hoplite Entertainment to Bay Point pursuant to the Loan Agreement and Note, as set forth in the Guaranty Agreement executed on September 30, 2020 (the “**Guaranty Agreement**”). As stated in the Guaranty Agreement, the Debtor was financially interested in the Hoplite Entities’ affairs and expected to derive financial benefit from the Loan and other financial accommodations to be provided by Bay Point under or in connection with the Loan Agreement. Also as provided in the Guaranty Agreement, the Debtor’s unconditional guaranty was a required term of the Loan Agreement. A true and correct copy of the Guaranty Agreement is attached hereto as **Exhibit I**.

25. The Loan Agreement, Note, and Guaranty Agreement are hereinafter referred to as, collectively, the “Loan Documents.”

Relevant Provisions of the Loan Documents

26. Section 2.3(a) of the Loan Agreement provides that Hoplite and Hoplite Entertainment “shall pay [Bay Point] monthly installments of accrued and unpaid interest”

1 commencing on October 31, 2020. Section 2.3(a) further provides that “[t]he outstanding principal
2 balance of the Loan and all unpaid interest shall be paid in full on the Maturity Date.” As noted
3 above, the Loan Agreement bore a maturity date of December 30, 2020.

4 27. As a condition precedent to the Loan Agreement, the Debtor was required to execute
5 and/or obtain certain “Loan Documents.” The term “Loan Documents” is defined to encompass,
6 collectively, “this Agreement, the Note and any note or notes executed by Borrower, the Related
7 Party Subordination Agreement, the Third Party Subordination Agreement, the Collateral
8 Documents, each Compliance Certificate, and any other agreement entered into in connection with
9 this Agreement.” (Ex. G at 5).

10 28. Under Section 5.3, the Debtor represented that “[e]ach of this Agreement and each
11 other Loan Document to which any Borrower is a party is the legal, valid and binding obligation of
12 such Borrower, enforceable against such Borrower in accordance with its terms.”

13 29. The Loan Agreement provides that the receivables evidenced by the License
14 Agreement between Hoplite Entertainment and Big Media Holdings, the License Agreement
15 between Hoplite Entertainment and Screen Media Ventures, and the Acquisition Agreement
16 between Hoplite and Fight Channel would serve as “Specified Collateral” on the Loan. (*Id.* at 7).
17 The Loan Agreement also provides that, as a condition precedent, the Debtor was to provide Bay
18 Point with duly executed “Non-Disturbance Agreements,” (*id.* at § 2.11(b)), which were defined to
19 include: (i) Non-Disturbance Agreement dated as of the Closing Date by and between the Lender
20 and Big Media Holdings, (ii) Non-Disturbance Agreement dated as of the Closing Date by and
21 between the Lender and Fight Channel, and (iii) Non-Disturbance Agreement dated as of the
22 Closing Date by and between the Lender and Big Screen Media Ventures. (*Id.* at 5).

23 30. The Loan Agreement also states that Hoplite and Hoplite Entertainment agree to
24 provide Bay Point with a lien and security interest in the form of a valid, first priority security
25

1 interest in certain of Hoplite and Hoplite Entertainment's presently existing and later acquired
2 Collateral. (*Id.* at § 4.1).

3 31. Section 5.8 of the Loan Agreement further provides that Hoplite and Hoplite
4 Entertainment have "good title to, rights in, and the power to transfer each item of the Collateral
5 upon which it purports to grant a Lien hereunder and under the other Loan Documents, free and
6 clear of any and all Liens except Permitted Liens," and that "the security interest granted herein
7 and in the other Loan Documents constitutes a valid, first priority perfected security interest in the
8 presently-existing Collateral, and will constitute a valid, first priority perfected security interest in
9 Collateral acquired after the date hereof, subject, in each case, to Permitted Liens."

10 32. To that end, the Loan Agreement also recognizes the existence of the Debtor's and
11 the Hoplite Entities' other debt obligations and, as a condition precedent, required that they be
12 subordinated to Bay Point's security interest. (*Id.* at § 3.1(a)). Specifically, the Loan Agreement
13 required execution of certain "Third Party Subordination Agreements," which are defined to
14 include: (i) Standby Creditor's Agreement dated as of September 28, 2020 made by Turpera Group
15 Ltd. for the benefit of the Lender, (ii) Standby Creditor's Agreement dated as of September 28,
16 2020 made by The Entrust Group Inc., FBO Gary Danklesen, IRA 723xxxx for the benefit of the
17 Lender, (iii) Standby Creditor's Agreement dated as of September 28, 2020 made by XXIII Capital
18 Limited for the benefit of the Lender, and (iv) Standby Creditor's Agreement dated as of September
19 28, 2020 made by Porta Pellex, LLC for the benefit of the Lender. (*Id.* at 8).

20 33. The Loan Agreement also acknowledges the "SBA Loan," which is defined to mean
21 "that certain loan in the principal amount of \$750,000.00 made by SBA Lender to Borrower," (*id.*
22 at 7), and required the Debtor to provide "evidence of the SBA Lender's consent to the Loan and
23 the Liens granted pursuant to the Loan Documents, in form and substance satisfactory to Lender"
24 as a condition precedent. (*Id.* at § 3.1(k)).

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1 34. Section 6.1(b) of the Loan Agreement also requires the Hoplite Entities to provide
2 Bay Point with monthly financial statements that show the entities’ “complete and correct . . .
3 financial condition as at the end of each such month.”

4 35. Section 8 of the Loan Agreement defines the events that constitute an “Event of
5 Default.” Under Section 8.1, any instance of the borrowers’ failure to pay, when due, any principal,
6 interest, or other amounts due and payable under the Loan Agreement constitutes an independent
7 Event of Default. Likewise, Section 8.2 provides that the failure to perform any obligation or the
8 violation of any covenant in Section 6 and 7 of the Loan Agreement—including the duty to provide
9 monthly financial statements under Section 6.1(b)—constitutes an independent Event of Default.

10 36. Under the Guaranty Agreement, the Debtor “unconditionally and irrevocably
11 guarantees to [Bay Point] the principal payment and performance of all of the obligations” owed
12 by the Hoplite Entities to Bay Point pursuant to the Loan Agreement. (Ex. I, § 1).

13 37. The Debtor’s Guaranty Agreement includes, without limitation, the unconditional
14 and irrevocable obligation to pay “all loans, financial accommodations, and other sums now owing
15 or which may in the future be owing by [the Hoplite Entities] under the Loan Agreement and the
16 other Loan Documents, as and when the same are due and payable, whether on demand, at stated
17 maturity, by acceleration or otherwise, and whether for principal, interest, fees, expenses,
18 indemnification or otherwise.” (*Id.*).

19 38. Pursuant to Sections 2 and 3 of the Guaranty Agreement, the Debtor’s obligations
20 are “absolute and unconditional” and “shall remain in full force and effect until payment in full of
21 all Guaranteed Obligations and other amounts payable under this Guaranty and until the Loan
22 Documents are no longer in effect.”

23 39. Section 10 of the Guaranty Agreement provides that in the event of an Event of
24 Default under the Loan Agreement, Bay Point is permitted “in addition to exercising any remedies

1 set forth in this Guaranty or otherwise available at law or in equity, to accelerate Guarantor's
2 obligations hereunder."

3 ***Events of Default***

4 40. Pursuant to Section 2.3(a) of the Loan Agreement, the Hoplite Entities' first monthly
5 installment payment of accrued and unpaid interest was due and payable on October 31, 2020.

6 41. Neither the Hoplite Entities nor the Debtor paid the accrued and unpaid interest on
7 October 31, 2020. This constituted an "Event of Default" under Section 8.1 of the Loan Agreement.

8 42. Pursuant to Section 2.3(a) of the Loan Agreement, the Hoplite Entities' second
9 monthly installment payment of accrued and unpaid interest was due and payable on November 30,
10 2020.

11 43. Neither the Hoplite Entities nor the Debtor paid the accrued and unpaid interest on
12 November 30, 2020. This constituted an additional "Event of Default" under Section 8.1 of the
13 Loan Agreement.

14 44. Additionally, despite numerous requests from Bay Point, neither the Debtor nor the
15 Hoplite Entities provided Bay Point with the Hoplite Entities' monthly financial statements, thereby
16 constituting an additional Event of Default under Section 8.2(a) of the Loan Agreement.

17 ***Debtor Enters Forbearance Agreements & Acknowledges Debt***

18 45. As a result of the Events of Default, Bay Point was entitled to pursue any and all of
19 the rights and remedies provided under Section 9 of the Loan Agreement, including the right to
20 accelerate the entire outstanding indebtedness and the right to pursue any remedy available at law
21 or equity against the Debtor and/or the Hoplite Entities.

22 46. In or around early December 2020, the Debtor requested Bay Point forbear from
23 exercising its undisputed rights and remedies under Section 9 of the Loan Agreement. The parties
24 ultimately reached a settlement that was to be memorialized in a written forbearance agreement.

1 47. On December 4, 2020, Bay Point, on the one hand, and the Debtor and the Hoplite
2 Entities, on the other, entered into a Forbearance Agreement (the “First Forbearance Agreement”).
3 A true and correct copy of the First Forbearance Agreement is attached hereto as Exhibit J.
4

5 48. At the time the parties entered into the First Forbearance Agreement, the Debtor’s
6 total outstanding indebtedness to Bay Point was \$2,235,238.89, as evidenced by Recital H to the
7 First Forbearance Agreement. (See Ex. J, at 2).

8 49. Under Section 9(a) of the First Forbearance Agreement, the Debtor
9 “acknowledge[d] and confirm[ed]” that the Debtor was “liable to [Bay Point] under the Loan
10 Documents for the full amount of the indebtedness thereunder as referenced in [Recital H].”

11 50. Ultimately, the Debtor failed to make the payments set forth in Section 2 of the First
12 Forbearance Agreement by the date provided therein, which constituted an “Event of Default”
13 under the Agreement and extinguished Bay Point’s forbearance obligations.
14

15 51. On December 21, 2020, Bay Point, on the one hand, and the Debtor and the Hoplite
16 Entities, on the other, entered into a subsequent Forbearance Agreement (the “Second Forbearance
17 Agreement”). A true and correct copy of the Second Forbearance Agreement is attached hereto as
18 Exhibit K.

19 52. At the time the parties entered into the Second Forbearance Agreement, the Debtor’s
20 total outstanding indebtedness to Bay Point was \$2,517,618.89, as provided in Recital I of the
21 Second Forbearance Agreement. (See Ex. K, at 2).

22 53. Under Section 9(a) of the Second Forbearance Agreement, the Debtor
23 “acknowledge[d] and confirm[ed]” that the Debtor is “liable to [Bay Point] under the Loan
24 Documents for the full amount of the indebtedness thereunder as referenced in [Recital I].”

25 54. Ultimately, the Debtor failed to make any of the payments set forth in Sections 3(a)–
26 (b) of the Second Forbearance Agreement by the dates provided therein, which constituted
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1 additional “Events of Default” under the Second Forbearance Agreement and again extinguished
2 Bay Point’s forbearance obligations.

3 55. To date, neither the Hoplite Entities nor the Debtor have repaid any of their
4 outstanding indebtedness to Bay Point, including the principal, interest, late fees, attorneys’ fees,
5 and other related costs and expenses.
6

7 ***Debtor’s Fraudulent Scheme Unravels***

8 56. The Debtor induced Bay Point into loaning his companies \$2 million by, among
9 other things: (1) representing to Bay Point that the Hoplite Entities had at least \$3,438,000 in then-
10 existing short-term accounts receivable from their prior agreements with three outside parties; (2)
11 providing Bay Point with what were represented to be true and accurate copies of those agreements;
12 (3) providing Bay Point with what were represented to be true and accurate copies of various stand-
13 by creditor’s agreements, debt subordination agreements, and a loan consent letter; (4) providing
14 Bay Point with what were represented to be true and accurate copies of the underlying SBA Loan
15 documents; and (5) providing Bay Point with what was represented to be a valid, first-priority
16 security interest in the Collateral.
17

18 57. After the Debtor and the Hoplite Entities defaulted on their payment obligations
19 under the Loan Documents, the Debtor provided Bay Point with certain falsified electronic funds
20 transfer notifications to delay Bay Point from foreclosing on the Loan.
21

22 ***(1) Falsified ACH and Wire Transfer Confirmations***

23 58. In furtherance of his scheme to induce Bay Point to lend his companies \$2 million,
24 the Debtor agreed to assign the rights to payment of certain of his companies’ outstanding accounts
25 receivable to Bay Point as “Specified Collateral” on the Loan. Thus, in accordance with Section
26 2.11 of the Loan Agreement and the respective non-disturbance agreements, any payments made
27 to the Hoplite Entities under the third-party agreements specified above were to be made either (1)
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1 directly to Bay Point by the third-party account debtors, or (2) to the Hoplite Entities, which were
2 then obligated to remit the funds to Bay Point.

3 59. Based on the Debtor's prior representations, Bay Point anticipated that Big Media
4 Holdings would make its payment on October 15, 2020, that Screen Media Ventures would make
5 its payment on October 30, 2020, and that Fight Channel would make its payment on November
6 15, 2020. (See Ex. A).

8 60. No payments were received on or before the dates the Debtor represented that such
9 payment obligations would be fulfilled. After confronting the Debtor with this information and
10 threatening to foreclose on the Loan Documents, the Debtor indicated that the payments were
11 imminent.

12 61. On November 17, 2020, the Debtor sent an email to Rierson and Moran, who, as
13 noted above, are the Bay Point employees primarily responsible for the relationship with the Debtor
14 and the Debtor's companies. A true and correct copy of the email correspondence is attached hereto
15 as **Exhibit L**.

17 62. In the November 17, 2020 email, the Debtor represented that he was forwarding an
18 earlier email message from Seth Needle, a Screen Media Ventures executive, to the Debtor, which
19 showed what appeared to be the confirmation of an outgoing Wells Fargo automated clearing house
20 (ACH) transfer (a type of electronic funds transfer) from Screen Media Ventures. The amount of
21 the alleged ACH transfer was \$1,488,000, which constituted the full amount purportedly owed to
22 Hoplite Entertainment under its prior agreement with Screen Media Ventures, and to which Bay
23 Point had purportedly been given a priority claim pursuant to Section 2.11 of the Loan Agreement
24 and the relevant non-disturbance agreement. Moreover, the account number shown as the recipient
25 of the ACH transfer was a bank account belonging to Bay Point, making it appear as if Screen
26 Media Ventures had initiated a payment of \$1,488,000 directly to Bay Point.
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1 63. At the time the Debtor sent the November 17, 2020 email to Bay Point, the Debtor
2 and the Hoplite Entities were already in default on the Loan Documents after failing to make the
3 October 31, 2020 installment payment, and the date upon which the Debtor represented that Screen
4 Media Ventures would make their payment under the License Agreement had passed.
5

6 64. Thus, Bay Point was initially relieved to receive the Debtor's email, which made it
7 appear as though \$1,488,000 would be deposited into Bay Point's bank account within a matter of
8 days. In reliance on the Debtor's representations, Bay Point elected to delay foreclosure on the
9 Loan.

10 65. Bay Point never received the funds shown in the purported ACH transfer.

11 66. Two weeks later, on December 1, 2020, Rierson forwarded the Debtor's November
12 17, 2020 email correspondence directly to Seth Needle at Screen Media Ventures and asked Mr.
13 Needle to call him to discuss Screen Media Ventures' purported ACH transfer on November 17,
14 2020.
15

16 67. Rierson contacted Mr. Needle so that Rierson could verify the terms of Screen
17 Media Ventures' License Agreement with Hoplite Entertainment and confirm the status of the
18 allegedly pending ACH transfer. Rierson reached out to Mr. Needle directly because, prior to
19 entering the Loan Agreement, the Debtor arranged a telephone conference between Rierson and an
20 individual who represented himself to be Mr. Needle.
21

22 68. Later that same day, Mr. Needle responded to Rierson via email, writing:
23 "Unfortunately, it appears this is a scam, as I did not ever send any such email."

24 69. The Debtor fabricated the Wells Fargo ACH transfer confirmation, including by
25 making it appear as though Screen Media Ventures had electronically transferred to Bay Point's
26 bank account the precise amount of its purported indebtedness under the License Agreement with
27 Hoplite Entertainment. The Debtor then sent a copy of the fraudulent ACH transfer notification to
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1 Bay Point via email in order to convince Bay Point not to foreclose on the Loan Documents, which
2 were then in default.

3 70. In the interim, the Debtor forwarded another funds transfer confirmation to Rierson
4 and Moran on November 20, 2020, which purported to show that the Debtor had initiated a wire
5 transfer. A true and correct copy of the November 20, 2020 email correspondence is attached
6 hereto as **Exhibit M**.

7 71. The wire transfer initiation notification indicated that the Debtor had purportedly
8 initiated a \$100,000 wire directly to Bay Point's bank account, and that the funds would be
9 deposited on November 23, 2020.

10 72. Again, however, Bay Point never received the funds reflected in the purported wire
11 transfer notification.

12 73. Upon information and belief, the Debtor also fabricated this second Wells Fargo
13 wire transfer confirmation in an effort to further convince Bay Point not to exercise its remedies
14 under the Loan Documents, which remained in default. And, in reliance on the Debtor's
15 representations, Bay Point elected to delay foreclosure on the Loan.

16 ***(2) Falsified License Agreements***

17 74. After Bay Point learned that the purported ACH funds transfer from Screen Media
18 Ventures was fraudulent, Rierson asked Seth Needle to send Bay Point a copy of Screen Media
19 Ventures' License Agreement with Hoplite Entertainment.

20 75. On December 2, 2020, Mr. Needle responded to Rierson via email. Attached to Mr.
21 Needle's email correspondence was a copy of Screen Media Ventures' License Agreement with
22 Hoplite Entertainment. A true and correct copy of the License Agreement provided by Mr. Needle
23 is attached hereto as **Exhibit N**.

1 76. The License Agreement provided by Screen Media Ventures via email on December
2 2, 2020 was nearly identical to the one previously provided to Bay Point by the Debtor during the
3 initial Loan negotiations, with two glaring exceptions: There was no Section 2(c) requiring advance
4 payments, and in Exhibit A of the License Agreement, there was no mention of the \$1,488,000
5 monetary advance. (*See* Ex. N). These terms, however, appeared in the copy of the License
6 Agreement that the Debtor provided to Bay Point during their Loan negotiations as proof of Hoplite
7 Entertainment's then-existing receivable in the amount of \$1,488,000.

9 77. The Debtor fraudulently added material terms to the version of the License
10 Agreement with Screen Media Ventures provided to Bay Point in order to make it appear as if
11 Screen Media Ventures had agreed to advance Hoplite Entertainment the sum of \$1,488,000, when
12 Screen Media Ventures had not. The Debtor also forged Screen Media Ventures' signatures in the
13 version of the License Agreement that the Debtor provided to Bay Point.

15 78. The Debtor then used that falsified License Agreement to induce Bay Point to lend
16 the Debtor's companies the sum of \$2 million and gave Bay Point "security" in the form of a
17 priority right to a receivable that did not exist.

18 79. The Debtor also falsified the non-disturbance agreement from Screen Media
19 Ventures that the Debtor sent Bay Point on September 28, 2020, (*see* Ex. F), which attached a
20 version of the falsified License Agreement and purported to be executed by Screen Media Ventures.

22 80. Following receipt of Mr. Needle's December 1, 2020 email in which he informed
23 Rierson that the purported ACH transfer appeared to be a "scam," Rierson spoke to Mr. Needle by
24 phone. Rierson did not recognize Mr. Needle's voice to be the same as the individual he had spoken
25 to previously, in the telephone conference allegedly between Rierson and Mr. Needle that the
26 Debtor arranged during the pre-loan diligence period. Mr. Needle confirmed that he had never
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Suite 3400
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1 previously spoken to Rierson, and that he did not participate in the earlier call that the Debtor
2 arranged.

3 81. On March 1, 2021, a representative of Big Media Holdings confirmed that the
4 License Agreement between Big Media Holdings and Hoplite Entertainment that the Debtor
5 previously provided to Bay Point was also falsified.

6 82. Specifically, the Big Media Holdings representative confirmed that Big Media
7 Holdings and Hoplite Entertainment were parties to a License Agreement, but that the license fee
8 under the true and correct License Agreement was \$11,000, rather than the \$950,000 evidenced by
9 the version of the License Agreement that the Debtor sent Bay Point on September 28, 2020, (see
10 Ex. F). A true and correct copy of the un-doctored version of the Big Media Holding License
11 Agreement provided by Big Media Holdings to Bay Point is attached hereto as **Exhibit O**.

12 83. The Debtor fraudulently modified material terms of the version of the License
13 Agreement with Big Media Holdings provided to Bay Point in order to make it appear as if Big
14 Media Holdings had agreed to pay a license fee of \$950,000, when Big Media Holdings had not.

15 84. The Debtor then used that falsified License Agreement to induce Bay Point to lend
16 the Debtor's companies the sum of \$2 million and gave Bay Point "security" in the form of a
17 priority right to a receivable that was fraudulently overstated by \$939,000.

18 85. The Debtor also falsified the non-disturbance agreement from Big Media Holdings
19 that Debtor sent Bay Point on September 28, 2020, (see Ex. F), which attached a version of the
20 falsified License Agreement and purported to be executed by Big Media Holdings. Bay Point relied
21 upon the falsified License Agreement and non-disturbance agreement when electing to enter the
22 Loan.

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Two California Plaza
350 South Grand Avenue
Suite 3400
Los Angeles, CA 90071-3427

(3) Falsified Standby, Subordination, and Consent Agreements

86. On February 9, 2021, counsel for Bay Point received an email from counsel for Columbia State Bank, Jane Pearson. Columbia State Bank is the lender of record on the Debtor's SBA Loan. A true and correct copy of the email correspondence from Ms. Pearson is attached hereto as **Exhibit P**.

87. In the email, Ms. Pearson represented that the consent letter and Standby Creditor's Agreement that the Debtor provided to Bay Point during due diligence, which the Debtor represented to be from Columbia State Bank, were "falsely fabricated, do not contain signatures of representatives of Columbia Bank, are not part of loan documents between Columbia Bank and Hoplite, are not authorized by Columbia Bank, and are ineffective."

88. Ms. Pearson further indicated that the loan documents that the Debtor provided to Bay Point and attached to the Standby Creditor's Agreement "are not true copies of the Business Loan Agreements between Columbia Bank and the Hoplite entities and were not signed by Lindsey Purdy on behalf of Columbia Bank."

89. In light of the allegedly falsified Standby Creditor's Agreement, Ms. Pearson also stated that "Columbia Bank's perfected security interest in the Collateral (as defined in the Complaint) is senior to that of Bay Point Capital Partners II, L.P., as a review of the UCC-1 filings reveals."

90. On February 17, 2021, Rierson emailed Kristofer Larson, legal counsel for Porta Pellex LLC, requesting a telephone call to discuss Porta Pellex's investment in Hoplite Entertainment. Rierson and Mr. Larson spoke by phone that same day. During the telephone call, Rierson asked Mr. Larson to confirm the validity of the Porta Pellex Standby Agreement that the Debtor had provided to Bay Point, and Mr. Larson asked Mr. Rierson to send him a copy of the purported Porta Pellex Standby Agreement to review. Accordingly, Rierson sent Mr. Larson a

1 copy of the Porta Pellex Standby Agreement that the Debtor previously provided to Bay Point and
2 asked Mr. Larson to “[p]lease confirm via email the validity of this document.” A true and correct
3 copy of the email correspondence between Rierson and Mr. Larson is attached hereto as **Exhibit**

4 **Q.**

5 91. Later, on February 17, 2021, Mr. Larson responded to Rierson, stating: “Thanks for
6 sending the standby agreement. I have never seen it; Noah Bronstein does not have authority to
7 sign anything on behalf of Porta Pellex; and most importantly, Noah did not sign it. I believe
8 someone signed it that was not Noah and did so without Noah’s knowledge or consent.”

9 92. On March 25, 2021, counsel for Bay Point received an email from counsel for XXIII
10 Capital. XXIII Capital is a lender of record to Hoplite Entertainment and had purportedly executed
11 the XXIII Capital Standby Agreement that the Debtor provided to Bay Point. A true and correct
12 copy of the email correspondence between counsel for XXIII Capital and counsel for Bay Point is
13 attached hereto as **Exhibit R.**

14 93. In the email, counsel for XXIII Capital referenced the District Court Action—which
15 identified the XXIII Capital Standby Agreement—and requested a copy of any agreements that the
16 Debtor provided to Bay Point that were purportedly executed by XXIII Capital, stating that “[o]ur
17 client is trying to get a handle on the magnitude of the fraud perpetrated on it.”

18 94. After Bay Point provided XXIII Capital with a copy of the XXIII Capital Standby
19 Agreement that the Debtor previously provided to Bay Point, XXIII Capital’s counsel responded
20 to counsel for Bay Point, writing: “In case you needed further confirmation, these documents are
21 falsified. Even the purported ‘Loan Agreement’ bears no resemblance to the robust and extensive
22 loan documents signed by the parties and dated December 9, 2016.”

23 95. As outlined above, the Debtor falsified the Columbia State Bank consent letter and
24 the SBA Loan Standby Agreement, as well as the Porta Pellex Standby Agreement and the XXIII

1 Capital Standby Agreement, and forged the signatures of the respective signatories of the
2 documents. The Debtor then provided these documents to Bay Point to induce Bay Point to enter
3 into the Loan Agreement, despite the fact that the Debtor was obligated to provide “duly executed”
4 copies of such documents as a condition precedent to the Loan Agreement. (See Ex. G, § 3.1(a)).
5

6 96. Bay Point relied on these falsified documents to its detriment in deciding to proceed
7 with making the Loan to the Debtor and the Hoplite Entities.
8

(4) Failure to Provide and Maintain Valid, First-Priority Security Interest

9 97. Under the Loan Agreement, the Debtor represented on behalf of the Hoplite Entities
10 that “the security interest granted herein and in the other Loan Documents constitutes a valid, first
11 priority perfected security interest in the presently-existing Collateral, and will constitute a valid,
12 first priority perfected security interest in Collateral acquired after the date hereof, subject, in each
13 case, to Permitted Liens.” (Ex. G at § 5.8). The Debtor also agreed on behalf of the Hoplite Entities
14 to “defend such security interest against the claims and demands of all Persons whomsoever.” (*Id.*
15 at § 6.7).
16

17 98. By falsifying the Standby Creditor’s Agreement from Columbia State Bank, a
18 secured creditor with a perfected security interest in at least some of the same collateral later
19 pledged to Bay Point, the Debtor failed to provide “a valid, first priority perfected security interest
20 in the presently-existing Collateral.”
21

22 99. On December 8, 2020, an entity named Bondit LLC filed a UCC-1 Financing
23 Statement with the California Secretary of State. The UCC-1 Financing Statement indicated that
24 Hoplite Entertainment provided Bondit LLC with “a first priority security interest in, and all of the
25 Debtors’ right, title and interest in, to and under all property, tangible and intangible . . . as collateral
26 security to secure the payment and performance in full of all the Obligations to the Secured Party.”
27
28

1 A true and correct copy of Bondit LLC's UCC-1 Financing Statement is attached hereto as **Exhibit**
2 **S.**

3 100. Bay Point did not consent to subordinate its security interest in the Debtor's and/or
4 Debtor's companies' Collateral to any subsequent lender, including Bondit LLC.
5

6 ***Bay Point Commences the District Court Action***

7 101. On January 22, 2021, Bay Point initiated the District Court Action. In its Verified
8 Complaint, Bay Point alleged claims for, among other things, violation of the Racketeer Influenced
9 and Corrupt Organizations Act (RICO), several breaches of contract arising out of the Loan
10 Documents, and fraudulent misrepresentation.

11 102. Simultaneous with the filing of its Verified Complaint, Bay Point also filed an
12 Emergency Motion for Appointment of Receiver and Request for Expedited Hearing (the
13 **“Receivership Motion”**). (Dkt. 3; 3-1). Through the Receivership Motion, Bay Point sought the
14 appointment of a receiver to protect its interests with respect to the Collateral and to ensure that the
15 Debtor and the Hoplite Entities did not engage in any further fraud to deprive Bay Point of its
16 interest in the Collateral.
17

18 ***Initial Receivership Hearing & Preliminary Injunction***

19 103. On February 10, 2021, the United States District Court held an evidentiary hearing
20 on Bay Point's Receivership Motion. After reviewing evidence, considering argument from both
21 parties, and hearing live testimony from Rierson, the District Court made several oral findings of
22 fact. A true and correct copy of the relevant portions of the February 10, 2021 Transcript is attached
23 hereto as **Exhibit T.**
24

25 104. First, on the issue of whether Bay Point offered evidence of fraud sufficient to meet
26 the legal standard applicable to a request for appointment of a receiver, the District Court found
27 there to be “lots of evidence of fraud” and “plenty of evidence that the defendant engaged in
28

1 fraudulent activity in order to receive the \$2,000,000 loan.” (Ex. T at 123:11, 138:5-7). The District
2 Court then listed each act committed by the Debtor that the Court believed constituted evidence of
3 fraudulent conduct.

4 105. For example, the District Court found that the fact that Screen Media Ventures
5 confirmed that the License Agreement provided by the Debtor to Bay Point was materially different
6 than the true version of the License Agreement showed “clear evidence of fraud” by the Debtor and
7 that the fraudulent License Agreement itself “provides a reason to believe that there was fraud
8 here.” (*Id.* at 123:17-21, 124:3-4).

9 106. The District Court also found that the Debtor made “a misrepresentation, a
10 fraudulent misrepresentation” to Bay Point regarding the imminence of the receivables from Big
11 Media Holdings, Screen Media Ventures, and Fight Channel. (*Id.* at 123:22-124:2).

12 107. Additionally, the District Court concluded that the falsified ACH and wire transfer
13 notification emails “provide reason to believe that there was fraud here.” (*Id.* at 124:5-6).

14 108. The District Court also found evidence of fraudulent conduct arising out of
15 Columbia State Bank’s purported SBA Loan Standby Agreement, which was shown at the hearing
16 to be a falsified document with a forged signature. (*Id.* at 124:7-14).

17 109. The District Court also took note of the phone call that the Debtor coordinated
18 between Rierson and an individual who was purported to be Seth Needle, a Screen Media Ventures
19 executive, stating: “The ruse that he concocted to allow Mr. Rierson to believe that he was speaking
20 to Mr. Needle at Screen Media to validate what was owed, and then Mr. Rierson learns later that
21 he never spoke to Mr. Needle and for all evidence never spoke to anybody at Screen, because the
22 things that he was told by the alleged Screen representative, that was supposed to be Mr. Needle,
23 were not true. And maybe that happened with the other two [entities representing purported
24 accounts receivable]. We don’t know. What we do know is that [the Debtor] set up that phone call,
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Two California Plaza
350 South Grand Avenue
Suite 3400
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1 made the introduction, and did it for the purpose of misleading Mr. Rierson, and to the effect of
2 misleading him.” (*Id.* at 124:20-125:5)

3 110. Finally, the District Court concluded that the Debtor’s refusal to provide access to
4 the Hoplite Entities’ bank statement gives “reason to believe there’s fraudulent intent there.” (*Id.*
5 at 125:9-11).

6 111. Regarding the Debtor specifically, the District Court remarked to his attorney: “I
7 suspect if your client was here, he might be taking the Fifth.” (*Id.* at 125:18-19).

8 112. Ultimately, the District Court concluded that Bay Point had “shown me enough to
9 get a receiver,” including showing that the Debtor had committed fraud. Nevertheless, the District
10 Court expressed concern that a remedy lesser than the appointment of a receiver may be sufficient
11 to protect Bay Point’s interest in the Collateral and thus elected to instead grant a preliminary
12 injunction in Bay Point’s favor that, among other things, provided Bay Point access to the Debtor’s
13 and the Debtor’s companies’ financial records and enjoined the Debtor and the Hoplite Entities
14 from diminishing or wasting the Collateral. (*Id.* at 143:21-155:21).

15 113. On February 11, 2021, the Court issued a written order making certain findings of
16 fact and setting forth the terms of the preliminary injunction (the “**Injunction Order**”). A true and
17 correct copy of the Injunction Order is attached hereto and incorporated herein by reference as
18 **Exhibit U.**

19 114. On the Debtor’s fraudulent conduct, “[t]he Court concluded that Bay Point had
20 shown fraudulent activity occurred, most notable by showing Defendants Hoplite entities and [the
21 Debtor] fraudulently caused Bay Point to believe Hoplite was already legally entitled to payments
22 totaling approximately \$1,963,000 from the agreements with Screen Media Ventures, LLC
23 (‘Screen Media’) and Big Media Holdings, LLC (‘Big Media’), that the receipt of that money was
24 imminent, and that Hoplite was on the cusp of delivering content to Ineomeida, Inc., d/b/a Fight
25

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1 Channel World Network ('Fight Channel') and expected payment of approximately \$1,000,000
2 from that company within forty-five days. The Court found Bay Point's witness (Chandler Rierson)
3 credible and outlined additional evidence of Defendants' fraudulent activity beginning in at least
4 late September 2020 and continuing into recent weeks." (Ex. U at 2-3). The District Court also
5 reiterated that "Hoplite and [the Debtor] deceived Bay Point into believing Columbia State Bank
6 had subordinated its SBA loan claim to Bay Point's loan." (*Id.* at 3 n.3).

8 ***Post-Injunction Proceedings & Bankruptcy Filings***

9 115. On March 24, 2021, the Court held a renewed hearing on Bay Point's Receivership
10 Motion. A true and correct copy of the relevant portions of the March 24, 2021 Transcript is
11 attached hereto as **Exhibit V**. After determining that the Debtor's testimony was necessary to
12 properly consider Bay Point's Receivership Motion, the Court adjourned the hearing and
13 rescheduled it for March 31, 2021. The Court ordered the Debtor to appear in person at the March
14 31, 2021 hearing. (Ex. V at 52:23-56:6).

16 116. On the evening of March 30, 2021, the Debtor and Hoplite Entertainment filed
17 respective Petitions for Bankruptcy.

18 117. The Court held the evidentiary hearing on March 31, 2021. The Debtor failed to
19 comply with the Court's order to appear in person at the hearing. A true and correct copy of the
20 relevant portions of the March 31, 2021 Transcript is attached hereto as **Exhibit W**.

22 118. At the conclusion of the hearing, the Court orally granted Bay Point's Receivership
23 Motion as to Hoplite only, recognizing that Bay Point's claims against the Debtor and Hoplite
24 Entertainment were automatically stayed by their respective bankruptcy filings. (Ex. W at 6:4-7:3,
25 11:23-12:5).

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Suite 3400
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119. On April 1, 2021, the Court entered its Order granting Bay Point's Receivership Motion (the "**Receivership Order**"). A true and correct copy of the Receivership Order is attached hereto and incorporated herein by reference as **Exhibit X**.

120. After the Court entered the Receivership Order, Hoplite filed a Petition for Bankruptcy.

121. As of the date of their respective bankruptcy filings, the Debtor and the Hoplite Entities owed Bay Point \$2,970,277.78 plus legal fees, costs, expenses, and other amounts owing under the Loan Documents, applicable law and/or other amounts contained in the District Court Action (the “**Debt**”).

Debtor Agrees to Plead Guilty to Wire Fraud

122. On June 8, 2021, the Acting United States Attorney for the Central District of California initiated a criminal proceeding against the Debtor by filing an Information in the United States District Court for the Central District of California charging the Debtor with one count of wire fraud in violation of 18 U.S.C. § 1343. *See United States of America v. Jonathan Lee Smith*, No. 2:21-cr-00272-JFW (C.D. Cal.) (the “**Criminal Proceeding**”). A true and correct copy of the Information filed in the Criminal Proceeding is attached hereto as **Exhibit Y**.

123. The wire fraud charge arose solely out of the Debtor's above-described scheme to defraud Bay Point out of \$2 million. Specifically, the Information states that the Debtor engaged in a "scheme to defraud" Bay Point through which the Debtor "knowingly and with the intent to defraud, devised, participated in, and executed a scheme to defraud [Bay Point] as to material matters, and to obtain money and property from [Bay Point] by means of material false and fraudulent pretenses, representations, promises, and the concealment of material facts," and that "[f]or the purpose of executing the above-described scheme to defraud, [the Debtor] transmitted and caused the transmission of an item by means of wire communication in interstate commerce,

1 namely, the transfer of approximately \$1,951,416.80 from a bank account in Atlanta, Georgia, to
2 the Hoplite Entertainment Account.” (Ex. Y at 2, 4).

3 124. Concurrent with the initiation of the Criminal Proceeding, the parties jointly filed
4 the Plea Agreement for Defendant Jonathan Lee Smith (the “**Plea Agreement**”), whereby the
5 Debtor agreed to plead guilty to one count of wire fraud under 18 U.S.C. § 1343 as set forth in the
6 Information. A true and correct copy of the Plea Agreement is attached hereto as **Exhibit Z**.

7 125. The Plea Agreement states that the Debtor agrees to plead guilty to the commission
8 of wire fraud in connection with the above-discussed scheme to defraud Bay Point. Debtor admits
9 that he “is, in fact, guilty of the offense to which [he] is agreeing to plead guilty.” (Ex. Z at 8). The
10 Debtor also agrees not to contest the agreed-upon facts set forth in the Plea Agreement, including,
11 *inter alia*, that the Debtor “knowingly made various misrepresentations and provided fabricated
12 documents to [Bay Point], including several false license agreements with distributors that made it
13 falsely appear that the Hoplite Entities had collective accounts receivable of \$3,348,000 when, in
14 fact, they did not . . . [and] provided [Bay Point] with several false standby agreements with secured
15 creditors.” (*Id.* at 8-9). The Debtor further acknowledges that he “knowingly sent an email to
16 representatives of [Bay Point] that contained fabricated correspondence from a representative of
17 one of a distributor of Hoplite Entertainment’s content and a false record of an automated clearing
18 house (ACH) transfer of \$1,488,000.” (*Id.* at 9-10). Finally, the Debtor acknowledges that “[a]s a
19 result of [the Debtor’s] scheme to defraud, he caused at least \$2 million in losses to [Bay Point].”
20 (*Id.* at 10).

21 126. By agreeing to plead guilty to wire fraud, the Debtor also acknowledges that he
22 “acted with the intent to defraud, that is, the intent to deceive and cheat.” (*Id.* at 5).

23 127. In entering the Plea Agreement, the Debtor agreed that he “understands that [the
24 Debtor] will be required to pay full restitution to the victim of the offense to which [the Debtor] is

pleading guilty,” which is Bay Point. (*Id.* at 6). The Plea Agreement was effective upon signature and execution by the Debtor, his counsel, and an Assistant United States Attorney, which occurred on June 3, 2021. (*Id.* at 14, 18).

Bay Point's Claims Are Non-Dischargeable

128. By fraudulently inducing Bay Point to make a \$2 million loan based upon numerous forged documents and false representations, the Debtor defrauded Bay Point.

129. As the District Court specifically found at the Receivership Hearings, the Debtor falsified the license agreements that served as security on Bay Point's Loan, falsified numerous standby creditor's agreements and forged the signatures on such documents, and engaged in other unscrupulous conduct prior to and after execution of the Loan Documents that amounted to a clear course of fraudulent conduct.

130. The Debtor’s “scheme to defraud” Bay Point out of \$2 million also serves as the sole basis for the Information charging the Debtor with one count of wire fraud. By agreeing to plead guilty to the wire fraud charge, Debtor acknowledges that he “acted with the intent to defraud, that is, the intent to deceive and cheat,” while engaging in the fraudulent conduct underlying the Debtor’s Debt obligations to Bay Point.

131. Accordingly, the Debt owed by the Debtor to Bay Point is non-dischargeable.

FIRST CLAIM FOR RELIEF

Non-Dischargeability of Debt Pursuant to 11 U.S.C. § 523(a)(2)(A)

132. Bay Point incorporates the allegations contained in paragraphs 1 to 131 of this Complaint by reference herein, as if restated verbatim.

133. Section 523(a)(2)(A) of the Bankruptcy Code provides that “A discharge ... does not discharge an individual debtor for any debt ... for money, property, services, or an extension,

1 or refinancing of credit, to the extent obtained by false pretenses, a false representation, or actual
2 fraud, other than a statement respecting the debtor's or an insider's financial condition"

3 134. The Debtor made false statements and misrepresentations to Bay Point with the
4 intent to induce Bay Point to make the Loan. The Debtor's deception was essential to his overall
5 plan to induce Bay Point to loan several million dollars to his companies.

6 135. Specifically, and as evidenced by both the District Court's numerous oral and
7 written findings in the District Court Action and the allegations set forth in the Information and
8 Plea Agreement in the Criminal Proceeding, the Debtor engaged in several broad categories of
9 fraud to induce Bay Point to loan his companies \$2 million, including but not limited to: (i)
10 falsifying license agreements from Screen Media Ventures and Big Media Holdings to make it
11 appear as though the Debtor's companies had sizeable accounts receivable against which they could
12 borrow; (ii) misrepresenting the existence and status of the aforementioned accounts receivable;
13 (iii) falsifying the SBA Loan Standby Agreement, the Porta Pellex Standby Agreement, and the
14 XXIII Capital Standby Agreement and forging the signatures of the respective signatories; and (iv)
15 sending Bay Point falsified ACH and wire transfer confirmations.

16 136. As a direct and proximate result of the Debtor's fraud and false representations, Bay
17 Point was induced to loan \$2 million to the Debtor's companies, which sum was personally and
18 unequivocally guaranteed by the Debtor. But for the Debtor's above-described false
19 representations, false pretenses, and/or fraud, Bay Point would not have made the Loan.

20 137. The foregoing establishes that the Debt owed to Bay Point by the Debtor should be
21 non-dischargeable.

22 **PRAAYER**

23 24 **WHEREFORE**, Bay Point respectfully prays for judgment as follows:

- 1 1. A determination that the Debt owed to Bay Point by the Debtor is a non-
2 dischargeable debt pursuant to 11 U.S.C. § 523(a)(2)(A);
3 2. A judgment in favor of Bay Point and against the Debtor declaring that the Debt is
4 non-dischargeable; and
5 3. A judgment granting Bay Point such other and further relief as this Court deems just
6 and proper.

8 Dated: June 25, 2021

9 TROUTMAN PEPPER HAMILTON
10 SANDERS LLP

11 By: /s/ Nathan T. DeLoatch

12 Luke N. Eaton (SBN 280387)
13 Two California Plaza
14 350 S. Grand Avenue, Suite 3400
15 Los Angeles, CA 90071-3427
16 Telephone: 213.928.9800
17 Facsimile: 213.928.9850
18 luke.eaton@troutman.com

19 -and-

20 Harris B. Winsberg (admitted *pro hac vice*)
21 Alexandra S. Peurach (admitted *pro hac vice*)
22 Nathan T. DeLoatch (admitted *pro hac vice*)
23 600 Peachtree Street, NE, Suite 3000
24 Atlanta, GA 30308
25 Telephone: 404.885.3000
26 Facsimile: 404.885.3900
27 harris.winsberg@troutman.com
28 alexandra.peurach@troutman.com
29 nathan.deloatch@troutman.com

30 *Attorneys for Creditor and Plaintiff Bay Point
31 Capital Partners II, LP.*

32 TROUTMAN PEPPER HAMILTON SANDERS LLP
33 Two California Plaza
34 350 South Grand Avenue
35 Suite 3400
36 Los Angeles, CA 90071-3427